



# The value of data

If data really has supplanted oil as the world's most valuable resource, shipping companies should make sure they don't miss any opportunities.

## *Cobham SATCOM*

Last year The Economist declared that data had supplanted oil as the world's most valuable resource. This assertion coincided with an inflection point in the maritime industry where the conversation finally shifted to the application of – and

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potential value locked up in – data, instead of dwelling on the technologies responsible for delivering that data between ship and shore.

There are straightforward arguments for investing in better ship-to-shore connectivity, including productivity benefits arising from improved crew-welfare, efficiency gains deriving from enhanced machinery performance monitoring and other digitally-enabled optimisations in vessel operation.

However, the data generated as a natural by-product of shipping can also be monetized and sold to other industries, and it is this new revenue stream that may prove transformative to the connectivity mindset among vessel owners.

### Data opportunities

Considering some examples of digital transformation from outside maritime may make it easier to grasp these less obvious but potentially very lucrative opportunities. In doing so, it is worth keeping in mind at the outset that maritime parallels will depend on standardizing shipboard communications across global fleets so that vessel operators and managers can streamline their technology stack and focus on business innovation.

For a few years now, financial analysts have sought insight from satellite imagery for indicators of revenue performance in certain key sectors; parking lot usage density at big box retailers, for example, can reveal trends in sales performance ahead of the next quarterly results being announced. Over time, this capability has been improved through automated imagery analysis combined with true big data analytics. Now it is helping fund an entire new generation of imagery satellite launches.

In 2014, Google acquired Nest, a market-dominating producer of smart home thermostats. This marked Google's entry into the smart home device market, but included another benefit for their core advertising business.

Google's ability to profile target users for a given product is second to none, given their ability to observe our interests whenever we are engaged with a screen. Nest's product unlocked a treasure trove of data about patterns within our 'offline behaviour,' enabling Google to further refine the profiles used in deciding which advertisements will be most effective.

### Weather forecast

More pertinently from the shipping perspective, perhaps, in



2015 IBM acquired The Weather Company for \$2 billion. Weather is perhaps the single largest external swing factor in business performance. While forecasting is scientific and increasingly precise, many businesses don't factor in predicted weather events. IBM estimates that by combining live global weather data with their Watson AI platform, they can generate roughly \$600 billion in value for the global insurance market.

The Weather Company's sensor network is clustered around areas of high population density – and land based. However, given the role oceans play in the formation of weather systems, it is worth noting that access to real-time data from ocean-based sensors would improve forecast accuracy significantly.

The weather data example therefore represents a real - rather than analogous - example of an opportunity that the maritime industry could exploit, as the only industry already in position to offer floating oceanic weather stations. Here, it is offered to highlight the fact that, to date, most conversations on the maritime digital dividend have been introspective and focused on self-improvement. The industry is yet to explore the value of data generated by vessels during day-to-day operation that may provide the insight someone else in our digital global economy desperately wants.



### Blue sky thinking

It is at this point that it is worth reintroducing the role of standardisation in the data-harvesting examples given. Sadly, most CIOs working in the shipping industry today don't have the opportunity for 'blue sky' thinking when it comes to data because most of their time – up to 80% according to one survey – is diverted to a relentless stream of maintenance tasks.

Often one of the most time-consuming aspects of these tasks revolves around the need to manage multiple connectivity solutions running across the ships in their fleet, where each solution has its own hardware, software, service providers and network configurations. Monitoring, managing and maintaining multiple equipment types creates a considerable overhead - simply to keep everyone online. In an age when connectivity is regarded by many as a utility, the attention needed to keep the satellite link alive can dwarf the effort needed to ensure the lights stay on and the water runs.

Admittedly, some of this complexity results from the organic way fleets grow through a mixture of mergers, acquisitions, owned versus managed tonnage, different upgrade cycles etc. But unless we can stop each vessel needing personalised attention, there will always be grounds to condemn satcoms as a 'cost centre'. Unless CIOs can be freed from this unending cycle of routine maintenance, they may never be able to devise plans to maximise the impact and value-creation potential of digital operations.

Put more simply, the time has come in maritime for a shift in focus from hardware management to applications development. This is an inevitable evolution already experienced across so many other industries, each time driven by hardware providers enabling the shift through enhanced ongoing service and maintenance plans, equipment leasing options, and other well proven business models. In most cases, the end result is dramatically increased revenues and historic levels of profit.

### Accelerated roll-out

Standardizing on a unified communications platform and hardware will accelerate a fleet owner's ability to move forward with ease and agility. It will ensure consistency of experience and enable a proactive – rather than reactive – approach to maintenance. A uniform technical capability permits greater scalability by making it more straightforward to roll-out new applications, whether for self-improvement



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purposes or to take the initiative in seizing new opportunities to monetize data to third-parties.

As vessel owners continue to contend with market over-capacity and low operating margins, however, many remain fearful of commoditization and therefore squarely focused on cost reduction. While understandable, this mind-set could prove short sighted.

Consider the example of Google one more time. Of course, the Internet Giant is in a far different financial position than any vessel owner today, but remember one thing: Google's core business is ad sales, one of most commoditized businesses on the planet. But instead of obsessing with cost reduction, investments such as Nest drive innovation that enhances the value of their core service to the end user. Satellite communications alone is not the answer - and never was. Its value derives from being an enabler for the more sophisticated and creative solutions described above. However, to fulfil this role, it has to become an invisible utility that requires no intervention and that vessel operators can take for granted. In other words, it has to 'just work'.

When that happens, the smart people working for shipping companies will have latitude to look beyond operational efficiency and consider new avenues for value creation, possibly for new end-users. Moreover, it will open shipping to technologists from outside the industry, which will spur even greater innovation. That is the true value of satcoms. 